FINANCIAL NEWS

Marcus Corp.'s net falls 49% in 3rd qtr.

MILWAUKEE—The Marcus Corp., a diversified company operating 110 restaurants, including 64 Big Boy coffeeshops, said its net income for the third fiscal quarter, ended Feb. 4, dropped 49% to $384,000 from results for last year's comparable period.

Revenues for the third quarter decreased by $1.2 million to $20.3 million.

Net income for the first 36 weeks were up by 0.4%, to $4.4 million, on revenues that rose 0.9%, to $64.2 million.

Steve Marcus, the Milwaukee-based company's president and chief operating officer, blamed the third quarter's results on the "worst winter weather conditions."

Aside from the Big Boys, Marcus Corp. also operates 33 Kentucky Fried Chicken, Captain's Steak Joynts and two Roy Rogers restaurants. The restaurants are located in Wisconsin, Illinois, Iowa and Minnesota.

EARNINGS REPORT

Company	Period	Period Ended	Total Sales*	% Change	Revenues*†	% Change	Net Income (Loss)*	% Change
Chi-Chi's Inc.	9 mos.	1/31			$23.388	94	$2.608	88
	3 mos.	1/31			8.931	104	0.770	66
Chock Full o'Nuts	6 mos.	1/31	$ 58.898	– 3			4.131	8
	3 mos.	1/31	29.132	– 4			0.780	– 62
Clabir Corp.	1 yr.	1/31	93.941	18			4.149	– 12
	3 mos.	1/31	22.675	28			(1.810)	—
Horn & Hardart	1 yr.	12/31	166.144	29			5.229	17
	3 mos.	12/31	46.402	24			1.548	39
Isaly Co.	1 yr.	1/31	12.473	45			(0.959)	—
Luby's Cafeterias	6 mos.	2/28			60.972	19	5.113	17
	3 mos.	2/28			30.654	20	2.552	17
People's	1 yr.	12/27	6.409	569			0.365	**
	3 mos.	12/27	3.715	569			0.205	**
Shoney's	3 mos.	2/14	86.069	19			4.932	39

Source: *Company earnings reports*

—Loss in current period
**In millions*
***Loss in corresponding period*
†In cases where companies do not break out their total sales for all units, revenues are indicated instead. These generally consist of company-owned restaurant sales, franchise fees and rental incomes, royalties and operating income, as well as other miscellaneous incomes, such as interest income and gains on real estate and construction.

Shoney's earnings jump 39% in first quarter

Sale of 22 KFC units helped Shoney's post a 39% net income gain in the first quarter of 1982.

NASHVILLE—Shoney's Inc., whose operations include Big Boy coffee shops and Captain D's sea fast-food restaurants, reported net income increased 39% to $4.9 million for the first quarter, ended Feb. 14, over the same period last year.

Revenues for the quarter were $86.1 million, up 19%.

The increase in net income reflected a gain from the sale of 22 Kentucky Fried Chicken units and a write-off of goodwill from a previous acquisition of a Shoney's franchisee. Net income from operations for the quarter was $4.1 million, an increase of 16%.

Shoney's sold the KFC stores, all located in Louisville, Ky., last November when it acquired the franchise rights to Famous Recipe, a 220-unit fried chicken chain. An agreement with KFC also restricted company-owned and new franchisee expansion for a one-year period.

As of Feb. 14, the company had 944 restaurants in operation, of which 342 were company-owned and 602 franchised units.

Restaurant failures reported on the rise

NEW YORK—Restaurant failures jumped from 468 for the first half of 1980 to 662 for the first half of 1981, according to figures just released by Dun & Bradstreet's Business Economics division.

Total liabilities of the restaurants that closed mounted from $146 million to $161 million.

(Restaurant closings are difficult to track in general because in many cases there is no official bankruptcy or Chapter XI reorganization filing, but rather just a shutdown of an individual restaurant or of a small group. But the total figure for the second half of 1981—not yet compiled officially by Dun & Bradstreet—is likely to soar on the basis of over 400 known closings of Sambo's restaurants last fall.)

The accelerating restaurant failure rate parallels the state of the economy and that of other businesses. D&B reported 7,883 total business failures for the first half of 1981, compared with 5,468 for the first half of 1980.

Restaurants, home furnishings and apparel stores showed the heaviest casualties among retail firms.

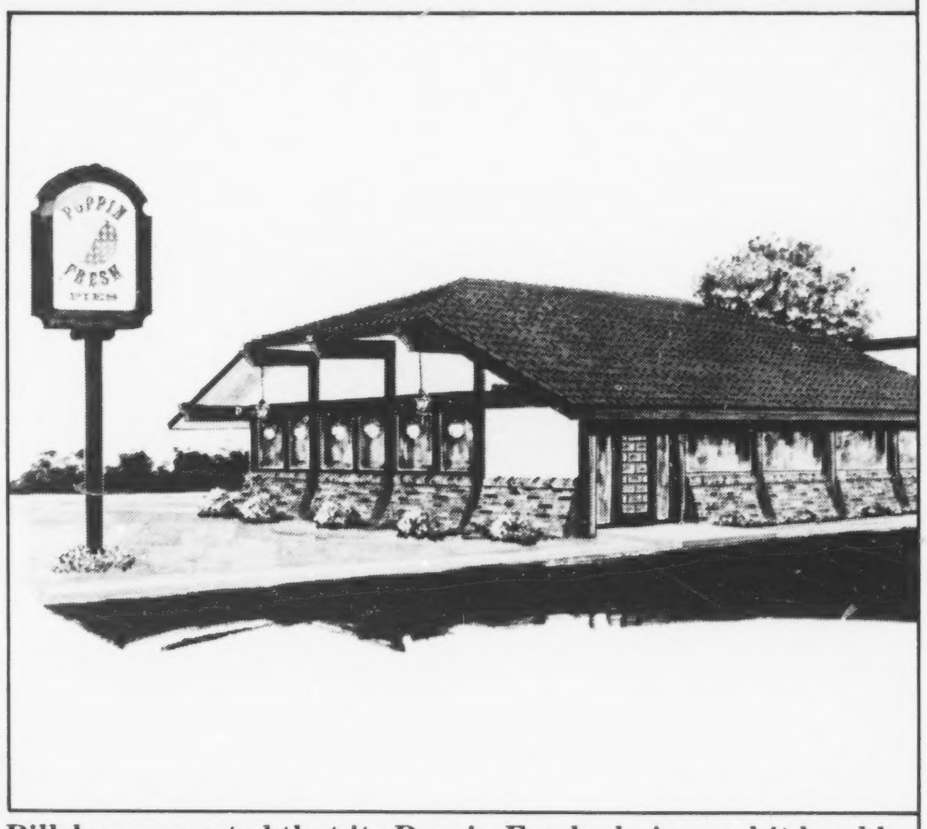
Pillsbury earnings up 5% in 3rd quarter

MINNEAPOLIS—The Pillsbury Company reported a 5% earnings increase for its restaurant group, which includes Burger King, for the third fiscal quarter ended Feb. 28.

Pillsbury said Burger King, Steak and Ale and Bennigan's all did well, but Poppin Fresh suffered from the severe winter weather. The Minneapolis-based food company did not provide any further details on the group's performance.

For the quarter, Pillsbury's net income rose 24% to $26.9 million over last year's comparable period. Sales declined slightly, from $825.4 million to $823.1 million.

For the nine months, earnings rose 8.6%, to $96.9 million. Revenues increased from $2.45 billion to $2.48 billion.



Pillsbury reported that its Poppin Fresh chain was hit hard by the severe winter weather.

Playboy claims net loss of $25.5M on casino

ATLANTIC CITY—Playboy Enterprises Inc. reported a $1 million operating loss in 1981 for the hotel and casino it operates in a joint venture with Elsinor Corp.

The Playboy hotel and casino reported a net loss of $25.5 million, including management fees and interest of $6.5 million and a write-off for preopening costs of $18 million. The preopening costs previously were deferred and were being amortized over five years.

The New Jersey Casino Control Commission is holding hearings on the suitability of Playboy-Elsinor Associates to operate the casino.

17.6% earnings gain for Luby's

SAN ANTONIO—Luby's Cafeterias Inc., a regional operator of 61 cafeteria restaurants, reported net income up 17.6% to $2.6 million for the second quarter ended Feb. 28, compared with the same period last year.

Revenues for the quarter were $30.7 million, up 20.3%.

For the six months, net income rose 17.6%, to $5.1 million, on revenues that increased 19.6% to $61 million.

S E. Rykoff buys Royal Supply

LOS ANGELES—S. E. Rykoff & Company, Los Angeles, has agreed to buy Royal Supply Co. Inc. of San Francisco.

Royal Supply, a distributor of supplies and equipment to restaurants, hotels and other foodservice customers, lists annual sales at $5 million.

Royal Supply will operate under the Rykoff name.

Hungry Tiger's 2nd qtr. net rises 14%

VAN NUYS, Calif.—Hungry Tiger Inc. reported a second quarter 14% net income increase to $442,000 on a 9% sales increase to $12 million, compared to the same period a year ago.

Profit Margin

For the current fiscal year's first half, ended Feb. 12, net income of $783,000 represented an 18% gain over last year's first half. Sales for the period were $24 million, an 11% increase over the same period last year.

Counts Up

Hungry Tiger president and chief executive officer Alan Redhead attributed the results to increased customer counts due to the introduction of a new menu and advertising campaign in the company's Hungry Tiger restaurants.

Hungry Tiger operations include 30 Hungry Tiger seafood dinnerhouses and two Breakers Seafood Company restaurants.

Peoples reports dramatic growth

DALLAS—Peoples Restaurants Inc., operator of 21 Peoples Restaurants, reported net profit for the second quarter ended Dec. 27, 1981, was $205,000 compared to a loss of $5,000 during the same period the previous year.

Sales jumped 569% to $3.7 million, while revenues soared 917% to $865,000.

The dramatic increases are attributable to the chain's growth from only two restaurants during the second quarter of 1980 to 16 by the end of the same period of 1981.

Although the company's originator, Bonanza, recently reduced its holdings in the company to about 16% of the 4,000 shares outstanding, it is still the largest single stockholder. The founders of Bonanza, the Wyly family, own 26% of People's.

READ CLASSIFIEDS

KFC sounds battle cry—competitors beware

LOUISVILLE, Ky.—Kentucky Fried Chicken is taking steps to outflank aggressive competition in the fast-food chicken segment by testing spicy chicken and breakfast and expanding rapidly through acquisitions in two key domestic markets.

Outlined last month by Michael A. Miles, senior vice president/foods for Heublein Inc., KFC's parent company, these and other strategies evidently are KFC's answer to challengers who, Miles said, "haven't caught on to our invincibility."

Plans for the year, according to Miles, include:

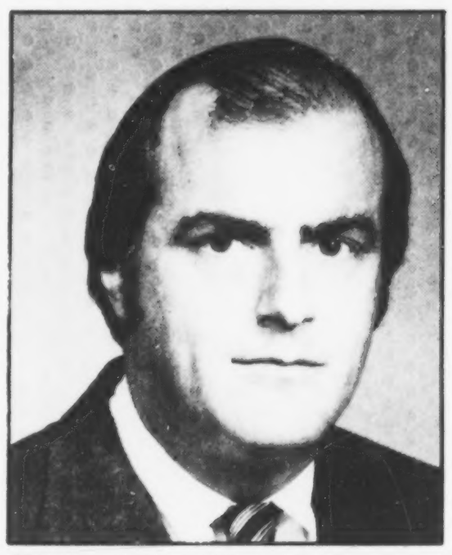
- Testing of new menu items specifically tailored to inner-city residents' tastes. The products include spicy chicken, collard greens and southern-style "dirty rice." A KFC franchisee has been testing such products in Philadelphia and, Miles said, reports "very strong initial volume response."
- Testing a biscuit breakfast menu in an unspecified number of company-owned and franchised units. This follows successful operational tests, Miles said.
- Opening four additional interior mall stores this year following the testing of a prototype mall unit which has been operating in San Diego.
- Further testing of a new prototype mini-store designed for low initial investment and high volume. One such mini-store—"the first of a possible new generation of mini-stores," according to the Heublein executive—is operating in Charleston, S.C.
- The conversion of 40 former Church's franchised restaurants in Houston and 80 Gino's-KFC units in the mid-Atlantic region to company-operated restaurants. KFC acquired the Houston units from Host International, a Church's franchisee, and the Gino's units from Marriott Corp., which recently acquired both Host and Gino's. KFC also has an option to purchase other Gino's restaurants.
- Opening 75 new company-owned units in the United States during the current fiscal year and 100 new units per year for each of the next several years.
- Accelerating an "image enhancement" remodeling program for older restaurants. More than 100 company-owned units will be remodeled this year as part of Heublein's $50 million capital expenditure program for KFC. By the end of the year, more than 635 company-owned restaurants will have a new look.
- Trying to convince more franchisees to participate in both the remodeling program and expansion programs of their own.
- Increasing the chain's advertising budget 33% on an annualized basis following an agreement by operators throughout the system to increase their advertising contributions 0.5% to 2% of total sales. Ads will concentrate on new products and lunch sales using the theme, "We do chicken right."
- Continued rollout of KFC's newest menu items, a chicken filet sandwich and Kentucky fries. The sandwich and fries are available in 3,000 and 2,800 restaurants respectively and together account for about 8% of total sales. The new products' sales continue to build "slowly but steadily," Miles said.

Miles comment about KFC's "invincibility" is an obvious response to the well-publicized moves by a new wave of chicken fast feeders who have enjoyed high sales with spicy fried chicken.

In cities where one of the newer chains moves in, KFC has noticed some sales erosion.

Chicken George, an eight-unit, Baltimore-based operation, reports average unit sales of $1.7 million, incredibly high for a fast feeder. The KFC franchisee in Philadelphia began testing spicy chicken and collard greens late last year when a Chicken George restaurant opened nearby.

KFC's average unit sales have been increasing steadily in the last three years to $427,000 in company-owned domestic units. KFC's franchised restaurants, which number 3,600 in the United States, have per-unit average sales below $350,000.



Michael A. Miles, senior vp/foods for Heublein Inc., KFC's parent company: "[The competitors] haven't caught on to our invincibility."

KFC's largest competitor, the San Antonio-based Church's, has a chainwide average per-unit volume of $400,000. But Bojangles, the North Carolina-based chicken chain poised for national expansion following its acquisition last year by Horn & Hardart, reports per-unit sales of $1.1 million. Popeyes, the all-franchised, Louisiana-based spicy chicken chain, has average unit sales of $625,000.

KFC's acquisition of 80 Church's units in Houston from Host International can be viewed as an aggressive move into Church's home state. KFC plans to convert half the units to its own concept and dispose of the others.

Perhaps more significant, though, is KFC's acquisition from Marriott of 80 Gino's restaurants in the mid-Atlantic region. Those Gino's units sold KFC products and last year contributed $2.2 million in royalties to KFC, Miles said.

KFC also holds an option to acquire other Gino's stores from Marriott Corp. (Late last year, Marriott acquired both Gino's and Host International in separate deals.)

"While the stores we're acquiring represent significant volume, the real story here is future opportunity," Miles explained to a group of consumer analysts meeting in St. Petersburg, Fla. "As a result of the total Gino's/Marriott/Heublein transaction, the master development rights for New Jersey, Maryland, Delaware, Washington, D.C, and parts of Pennsylvania and Virginia—formerly held by Gino's—will revert to KFC Corp."

The Gino's acquisitions will open up "such densely populated urban areas as Philadelphia, Newark, N.J., Baltimore and Washington, D.C., plus some highly desirable suburban areas and smaller cities, to the first really serious KFC development in that area," Miles said.

KFC also plans to expand its overseas network of company-owned and franchised restaurants both in existing markets in Japan, Australia, Mexico and Britain as well as in continental Europe, South America and the Pacific.

The International Foods Group, the corporate name for KFC International, has doubled its revenues to $256 million in the last three years and has tripled operating profits to $28 million in that span of time. In that same period, the number of stores rose from 941 to 1,256.

KFC has 145 company and 65 franchised restaurants in Australia with average unit sales of $712,000; 134 company and 218 franchised restaurants in Japan; 48 company and 287 franchised units in Britain, and 38 company and 16 franchised units in Mexico. Average store sales in those countries have been increasing at an annual rate of between 19% and 24%, Miles said.

On the domestic front, KFC's top priority apparently is building unit volume. Miles said new KFC stores have annualized sales of $525,000 each, 13% higher than the average for all company stores. Profits, he said, "are also well above average."

Customer traffic has been off at KFC in recent months, especially in the upper Midwest which has been suffering more than other regions of the country from the recession. Sales in the third quarter of the fiscal year (January-February-March) will be adversely affected not only by the economy but by the severe winter, Miles said.

H. B. Waldron, Heublein's president and chief executive, reported that the company's total food revenues were up 13% in the first half of fiscal 1982, ended Dec. 31, led by Kentucky Fried Chicken's domestic operations.

Operating income for the

(Continued on page 28)

SELECTED FAST-FOOD CHICKEN CHAINS AT A GLANCE

Company	Total Number of Units	Current Average Unit Sales	Plans for the Near Future
KFC	6,200	$427,000 (U.S. company-owned) $341,600 (U.S. franchised)	Testing spicy chicken and breakfast; adding 75 company-owned units in fiscal 1982; opening mall units
Church's	1,356	$400,000 (chainwide)	Rollout of new chicken sandwich; expansion in suburban areas; more advertising; testing fried okra, breaded zucchini and chocolate shakes
Bojangles	52	$1.1 million (chainwide)	Rapid expansion
Popeyes	275	$625,000 (chainwide)	Overseas and domestic expansion; rollout of meat pie and continued tests of other products; possible opening of family restaurant prototype
Chicken George	8	$1.7 million (chainwide)	Not available

Source: *NRN Research; company reports*

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Tampa to host small business seminar in May

TAMPA, Fla.—A special food-service industry small business seminar for Tampa Bay area restaurateurs is slated for the Host International Hotel at Tampa International Airport on Wednesday, May 19.

Speakers will include Charles Bernstein, editor of *Nation's Restaurant News;* Michael O'Neal of the Gingerman restaurant group and a prominent small business committee leader in the National Restaurant Association; John Waters, Red Lobster marketing vice president, and Tony Grappo, an operations director in Clearwater, Fla., for Steak & Ale's Bennigan's

These sessions are sponsored by the University of South Florida's Small Business Development Center here and are part of a two-week series of seminars on small business-related topics. Details are available from Pam Iorio at the university 813-974-4268 or 974-4274.

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Penrod's develops its own unique style of casual dining . . .

Penrod's restaurants tend to have an open feel broken up by the use of different levels.

By Donald Frazier

ATLANTA—To make his casual theme restaurant work the way he wanted it to, Robert Penrod had to take a hard look at the lessons he learned over eight years as a crack McDonald's franchisee—and unlearn them.

"Things are different when you no longer have the pair of golden arches overhead," the 35-year-old Florida native said. "At first, when I was trying to put together my own ideas, I didn't realize just how powerful they were."

But Penrod eventually emerged from the shadow of McDonald's uniformity to do it *his* way at his new restaurant, Penrod's. Once he discovered what it was, his way worked. He built three more restaurants. Now, the Penrod's in the Atlanta area take in about $2.6 million a year and serve about 500 people a day.

Penrod's development comes at a time when the Atlanta market is fast becoming the unofficial capital of the casual theme concept. The three national chains—Steak & Ale's Bennigan's Taverns, Gilbert/Robinson's Houlihan's and T.G.I. Friday's—are all here, and the city reportedly will play an even greater role in Bennigan's future.

Other casual concepts besides Penrod's were born here. Some are Harrison's, Copperfield's, and W. D. Crowley's, which trades under various names. Together, locals and nationals are lining the perimeter highway north of the city with a dense concentration of such establishments.

With high liquor sales, an emphasis on hot appetizers, a casual service style, suburban locations and a predominantly young, white, affluent crowd, Penrod's has much in common with others in the casual dining segment.

But Penrod's founder emphasizes differences.

His concept's decor, he terms dignified. Elements include dark wood paneling, greenery, framed pen-and-ink drawings on the walls and, overhead, Tiffany-style glass lamps designed especially for the restaurant.

Interior layout also differs from that of at least some competitors. Instead of being segmented into various areas, the Penrod's restaurants tend to have an open feel. They are multileveled and focused on an island-type bar.

This layout, Penrod said, allows patrons to move easily between various areas—and, thus, experiences—than does the segmented floor plan favored by some others.

KFC sets aggressive '82 strategy

(Continued from page 27)

food service and franchising group (KFC-USA) was $40.8 million in 1981, which Miles called "a significant improvement from the dark days" of 1978 when operating income was just $16.8 million.

In the first six months of fiscal 1982, average unit sales in company-owned stores were up 12%, or 3% after adjustments for inflation, Miles said. Sales at franchised stores rose 8% in the first half, remaining well below the company level.

Sales were flat in October, November and December but Miles projects average store sales at company-owned restaurants to reach $452,000 by the end of the current fiscal year.

"The economy in many of our markets is now so bad that the only way it can go from here is better," Miles said, adding that he expected sales to improve with the arrival of warmer weather. Unit sales in the upper Midwest, KFC's major market, "slowed down suddenly and dramatically" in the second quarter.

Miles said "industry research data" shows KFC outperforming the competition and building its share of market even though "our sales growth has slowed." One major problem continuing to nag the company is "the disappointing rate of new store openings and image enhancements" by franchisees.

Some industry analysts have remained unimpressed with KFC's performance, despite the dramatic turnaround at the company since 1978. Church's often receives higher marks from analysts in the areas of management, food quality and price-value.

KFC has also been unsuccessful in building its lunch-hour sales, although its chicken sandwich is expected to help.

McDonald's, Burger King, Hardees and other hamburger fast feeders have added chicken sandwiches and other chicken products to their menus in the last two years, increasing the pressures on KFC.

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*Conducted by Procter & Gamble among men and women ages 18-50.
**Responses from store managers using the P&G Program in 16 major foodservice chains.

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Michael McCarty, owner of Michael's, Santa Monica, Calif.: "We're in pretty good shape. Actually business is a little better than last year. Sales are up and counts are steady."

Tablecloth operators withstand recession

By Joe Edwards

Operators of some of the leading tablecloth restaurants in the United States are reporting increases in customer counts and sales despite the recession but are expressing concerns about the future should the current economic crisis worsen.

Recession-related hardships have not yet trickled up the economic ladder to affect the generally freespending customers in the fine dining segment, according to past winners of the Fine Dining Hall of Fame awards presented annually by *Nation's Restaurant News.*

(This year's Hall of Fame winners will be honored Sunday, May 23, at a champagne brunch awards ceremony during the National Restaurant Association show in Chicago. A special section reporting on the 1982 winners will appear in the May 24 edition of *NRN.*)

Past winners, however, said in recent interviews that they have been noticing cutbacks in expense-account spending, more cancellations than usual and the first polite rumblings of price resistance from their customers.

Several operators have taken steps which are unusual in this select segment, including menu price freezes and the introduction of special, lower-priced menus. Others maintain that their reputations for high quality and excellence in food, service and ambience will protect them if the recession spreads.

Despite some uneasiness, though, fine-dining establishments are uniquely positioned to weather the economic storms which have placed so many burdens on operators in other areas of food service.

"The really top restaurants in the city—Lutece, Grenouille, Four Seasons, the "21" Club—are not really affected," declared Paul Kovi, co-owner of the Four Seasons in New York. Jerry Berns, co-owner of the "21" Club which has weathered one Great Depression and many recessions, agreed. "The economy doesn't affect us," Berns stated. "We're very unique, you know. People need us."

Michael McCarty, owner of

(Continued on page 97)

BK changes propel Ruenheck, Campbell to top exec positions

By Roman Czajkowsky

MIAMI—Burger King has promoted Burger King U.S.A. president Jerry Ruenheck to the new post of president and chief operating officer of Burger King Corp. J. Jeffrey Campbell, marketing executive vice president for the Pillsbury subsidiary, succeeds Ruenheck as Burger King U.S.A. president.

The moves free Louis Neeb, Burger King Corp. chairman and chief executive officer, of operating responsibilities. He will concentrate on long-range planning, the company said.

In another major development, company officials said that for the first time in its corporate history, Burger King will be seeking to acquire other restaurants, and possibly one or more chains, to enable the hamburger chain to grow more rapidly in the face of an intensified battle for market share.

The management realignment bears the stamp of Norman Brinker, the founder of Pillsbury's Steak & Ale restaurant division who recently was named president of a new restaurant group formed by Minneapolis-based Pillsbury. Brinker, one of Pillsbury's larg-

New Burger King U.S.A. president J. Jeffrey Campbell is taking aim at BK's top rival, McDonald's, page 2.

(Continued on page 98)

NRN PROFILES AMERICAN CHEF

***Nation's Restaurant News* begins a series of profiles on some of the chefs who influence the way America eats. This issue: Barry Wine of New York's Quilted Giraffe. See page 65.**

Declines presidency

Laughery steps aside at NRA

By Charles Bernstein

WASHINGTON—Confronted with an overwhelming job in the recently concluded Hardee's-Burger Chef merger, Hardee's chairman and president Jack Laughery has decided he cannot serve as president of the National Restaurant Association.

"I face a herculean task in meshing two major food-service companies into one homogeneous and efficient organization," he wrote NRA chairman Walter Conti (whom Laughery was slated to succeed May 24 as the No. 1 NRA executive) shortly after the closing of Hardee's acquisition of Burger Chef. "I must now recognize that I could not complete the

(Continued on page 97)

LATE NEWSBREAKS

Howard Johnson is testing a new restaurant concept called Chatt's in Chattanooga, Tenn. A second Chatt's will open soon in Plainview, N.Y. The new concept, more formal than HoJo's standard restaurants, is scheduled for utilization only at motor lodge locations.

Playboy Enterprises was to decide at presstime whether to sever its ties with its founder and principal owner, Hugh Hefner, or lose its right to operate a casino in Atlantic City, N.J. The deadline was set by the New Jersey Casino Control Commission, which ruled that the company was unsuitable to operate the $150 million facility unless Hefner left.

Church's Fried Chicken reported a net profit of $7.9 million for the first quarter ended March 21, a 6% drop from the year-earlier period. Revenues slipped 2% to $87 million.

Piszek sells Treacher's to franchisee

By Donald Frazier

YOUNGSTOWN, Ohio—The Arthur Treacher's system, severely damaged by management miscalculation and a franchisee revolt, and enfeebled by a series of lawsuits, has changed hands for the second time in three years.

Edward Piszek Sr., the frozen seafood magnate who built Mrs. Paul's Kitchens, sold the ailing fast-food chain for an undisclosed price to a franchisee who has been in the food-service industry for about a year. Piszek had agreed to sell Mrs. Paul's itself a few days earlier. *(See story page 20)*

The new owners of Arthur Treacher's, Lumara Foods, operates seven of the fish and chips restaurants here and four franchised units for Church's Fried Chicken in the Louisville, Ky., area. Its principals, Louis G. Dinardo and Robert T. Moosally, are in the construction and real estate development business.

They will move the headquarters of Arthur Treacher's from Philadelphia to Youngstown. According to Lumara general counsel James R. Cataland, the new owners will soon begin to assemble new departments for franchise services, advertising, marketing and product development—all areas which most franchisees claim had been neglected by previous management.

They are expected to name new key management personnel shortly, both from inside and outside of the present organization. The president of Arthur Treacher's, William Piszek, is expected to stay with the family organization. He is only one of a succession of managers to head Treacher's under the Mrs. Paul's reign. A family friend and Edward Piszek Sr.'s youthful son, Edward Piszek

(Continued on page 96)